



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# **Health Benefit Plan Contracting: A Background Paper**

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Maryland Exchange Board Operating Model and  
Insurance Rules Advisory Committee Meeting



## **Purpose of the Report**

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- Provide background information on the Exchange's health plan contracting function for the Advisory Committee
- Provide foundational support for the analysis to be conducted by the vendor for the legislative study



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## **Presentation Outline**

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- Affordable Care Act (ACA) health plan certification and contracting requirements
- Exchange-developed plan requirements and contracting model
- Examples of contracting approaches in Maryland

## **Health Plan Certification & Contracting Requirements**

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- The ACA establishes minimum certification standards for Qualified Health Plans (QHPs) and QHP issuers
- The U.S. Department of Health and Human Services' (HHS') proposed regulations ...
  - Provide additional detail
  - Sometimes defer to state Exchange

## ACA Minimum Certification Requirements

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QHP issuers must:

- Be state-licensed and in good standing
- If participating in the individual market, offer at least one QHP at the **silver coverage level** and one at the **gold coverage level**
- Offer QHPs at same rates through the Exchange as offered outside the Exchange

## ACA Minimum Certification Requirements **continued**

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- Comply with HHS regulations concerning:
  - Marketing
  - Sufficient choice of providers, including “essential community providers”
  - Accreditation within a period of time established by the Exchange

## **ACA QHP Requirements**

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QHPs must comply with ACA & regulatory requirements regarding:

- Quality improvement and reporting
- Coverage of “essential benefits”
- Risk adjustment, premium rates, cost sharing
- Plain language and transparency

## **The ACA: Insurance Premium Rate Review**

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- The ACA requires HHS to collaborate with states to establish annual review of “unreasonable” premium rate increases
- July 2011 – HHS determined that the Maryland Insurance Administration (MIA) operates an “effective rate review program”
  - The MIA’s determinations as to the reasonableness of proposed rate increases will be accepted by HHS

## ACA Minimum QHP Certification Requirements

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QHPs must comply with:

- Federal standards for marketing, risk adjustment, enrollment, and coverage termination processes
- Federal accreditation requirement (within timeframe established by the Exchange)

## HHS Proposed Regulations: QHP Requirements

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- The ACA directs HHS to establish specific standards to ensure that QHP provider networks offer a “sufficient choice of providers”
- HHS proposed regulations:
  - Establish QHP provider network adequacy standards
  - Recognize **Exchange** responsibility to ensure that the provider network of each QHP offers a sufficient choice of providers for enrollees

## **Exchange-Developed QHP Requirements & Contracting Model**

The ACA affords the Exchange discretion to:

- Adopt additional QHP standards beyond federal minimum requirements
- Choose a contracting model for determining whether allowing a plan to be offered through the Exchange “is in the best interest of qualified individuals and qualified employers”

## **Examples from Maryland: Contracting Models**

- Maryland Medicaid’s HealthChoice program: “Every Willing and Qualified Provider” (non-competitive contracting model)
- Maryland State Employee and Retiree Health and Welfare Benefits Program: “Competitive sealed proposals” (competitive contracting model)

## HealthChoice

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- Program standards specified in regulations are incorporated by reference into MCO contracts
- For MCO approval and contract, a health plan must demonstrate its ability to deliver all covered benefits and services per program standards for quality and access to care, financial requirements, etc.
- No limitation on number of MCOs contracted

## State Employee Health Benefits

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- Department of Budget and Management (DBM) specifies contract requirements and selection factors in request for proposals
- Each competing plan submits separate proposals addressing:
  - Technical factors: plan design, financial capacity, quality improvement, benefits, provider network, performance guarantees, etc.
  - Price factors

## **State Employee Health Benefits**

**continued**

- Selection committee scores technical and price proposals by application of predetermined selection factors
- DBM may award contracts to a variable number of plans based on expected plan performance and capacity needs

## **In Summary**

- The ACA leaves the choice of a contracting model to be used by the Exchange to the state's discretion
- Both examples of contracting models include multiple features for enrollee protection (e.g., access to care, quality of care, and consumer choice)
- Both contracting models are designed to ensure that the purchaser receives fair value for payments made under health plan contracts



## About The Hilltop Institute

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The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and wellbeing of vulnerable populations. Hilltop conducts research, analysis, and evaluations on behalf of government agencies, foundations, and nonprofit organizations at the national, state, and local levels.

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## Contact Information

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